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# Daily FX Report

## EUR / USD

The German manufacturing PMI index strengthened to 60.5 for January from 57.4 previously with the services index in expansion territory at 52.2 from 48.7 and both figures above consensus forecasts. The Euro-zone manufacturing index also strengthened to 59.0 from 58.0 and above expectations, but the services-sector index was below expectations at 51.2 from 53.1 previously. There was further upward pressure on costs with services selling prices increasing at the fastest rate on record.

In its monthly report, the Bundesbank stated that inflation will remain exceptionally high in early 2022 while manufacturing remains constrained by supply disruptions.

ECB council member Villeroy stated that the central bank was ready to do whatever it takes to get inflation back below 2%. Markets expectations of an ECB rate hike were, however, pushed back again. The Euro was also hampered by underlying concerns over the Ukraine situation with the Euro dipping to lows below 1.1300.

The US manufacturing PMI index dipped to a 15-month low of 55.0 for January from 57.7 previously and below consensus forecasts of 56.7. The services index also declined sharply to an 18-month low of 50.9 from 57.6 previously and below market expectations of 55.0. There was an easing of order backlogs for the month.

Companies were hampered by a fresh surge in coronavirus cases supply-chain difficulties and staff shortages.

There was an easing of cost pressures within the manufacturing and services sector for the month with the data triggering some doubts over the US outlook.

The dollar was unable to sustain the advance and the Euro settled little changed around 1.1320 as trends in risk appetite dominated. There was further volatility across equity markets, although the Euro moves were relatively limited as it settled just above 1.1300 against the dollar with further choppy trading inevitable.

## JPY

US Treasuries edged lower in early New York on Monday despite a further slide in US futures which provided an element of dollar support. There was still significant yen demand on defensive grounds given the overall slide in risk appetite and fresh drop in global equity markets. Overall, the dollar held close to around 113.85 with yen gains on the crosses. There was a strong rally late in the Wall Street session which triggered a correction in the yen with the dollar edging towards the 114.00 level.

There was a significant element of caution ahead of Wednesday's Federal Reserve policy decision with

uncertainty whether the volatility in equities would have an impact on the Fed statement. There were still expectations that the bank would signal that a rate hike would be sanctioned in March.

US equity futures dipped again on Tuesday and there were notable losses across most Asian bourses during the session as overall risk appetite remained fragile. A policy tightening by the Singapore central bank also sapped risk appetite with the dollar around 113.85 in early Europe and the Euro around 128.70.

## GBP

According to flash data, the UK PMI manufacturing index declined to an 11-month low of 56.9 for January from 57.9 in December. The manufacturing output index, however, strengthened to a 5-month high while there was a slight easing of cost pressures. The PMI services-sector index also retreated to an 11-month low of 53.3 from 53.6 and slightly below consensus forecasts. There was, however, a strong increase in orders growth for the month while there were strong inflationary pressures with input costs and selling prices both registering the second-highest readings on record which will maintain underlying speculation over Bank of England tightening.

The overall data impact was limited given expectations that an easing of coronavirus restrictions would lead to stronger conditions in the short term.

Sterling, however, continued to lose ground with the UK currency hurt by a fresh slide in risk appetite and sharp losses in equity markets.

There was a dip to 2022 lows below 1.3450 against the dollar while the Euro corrected further to highs around 0.8425.

Sterling rallied later in the session as risk appetite strengthened with a move to the 1.3485 area while the Euro settled just below the 0.8400 level.

Risk appetite dipped again on Tuesday, although Sterling held steady around 1.3475 against the dollar with the Euro just below 0.8400.

## CHF

Swiss sight deposits increased to CHF724.8bn in the latest week from CHF724.5bn which suggested that there had been only limited National Bank intervention.

The Swiss franc gained further support from a slide in risk appetite and concerns surrounding the Ukraine situation. The Euro dipped to fresh 6-year lows at 1.0300 before rallying to 1.0340 while the dollar posted a limited net advance. The franc edged lower on Tuesday despite fragile risk conditions with expectations that the National Bank would maintain a loose monetary policy curbing fresh support and the dollar traded around 0.9165.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1435	115.00	1.3670
Resistance 2	1.1375	114.50	1.3600
Resistance 1	1.1325	114.00	1.3530
	1.1310	113.80	1.3475
Support 1	1.1270	113.40	1.3470
Support 2	1.1200	112.75	1.3400
Support 3	1.1140	112.25	1.3335

## Today's Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
GBP	25/01	11:00	CBI Trends Total Orders	Jan	22	24
GBP	25/01	11:00	CIB Trends Total Selling Prices	Jan	63	62
GBP	25/01	11:00	CBI Business Optimism	Jan	8	2
USD	25/01	14:00	FHFA House Price Index M/M	Nov	1%	1.1%
USD	25/01	14:00	Conf. Board Consumer Confidence	Jan	111.1	115.8
USD	25/01	15:00	Richmond Fed Manufact. Index	Jan	14	16
JPY	25/01	23:50	PPI Services Y/Y	Dec	1%	1.1%

Source: Bloomberg

### Risk warning

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